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the Foreign Office provide a legal opinion on the joint Soviet-Yugoslav Aviation and Danube River transport companies.

It was recommended by the Legal Section of the Foreign Office that these agreements be rejected. Dr. Velebit suggested to Marshal Tito that the agreements be rejected because they violated the still existing Law of Commerce.

1. In the joint Soviet-Yugoslav Aviation and Danube River Transport companies all of the decisions are reserved for the Director, who is explicitly a Soviet appointee. The Deputy Director, a Yugoslav, has no power to make any decision. There was to be an established amount of capital, but the Soviets never would give any indication of the amount of money or material they would contribute.

2. The General Manager of the Joint Soviet-Yugoslav Navigation Company is a Russian colonel. Yugoslavs in the company complain that the Russians have taken all the best boats.

3. About the only Soviet goods, with the exception of military equipment, in Yugoslavia have been shipments of soap and candy.

4. there is a plan to standardize the equipment of the Yugoslav and Soviet armies. This may have taken place already. Some military equipment has been imported from the Soviet Union.

5. There are not many Soviet officers at present in the Yugoslav Army. Soviet personnel mostly are filling instructors positions. However, a considerable number of Yugoslav officers are now in the Soviet Union receiving instruction. A very large percentage of the Yugoslav Air Force is in the USSR. Velebit's side-de-camp spent a long period in the USSR and said that the Soviets are abandoning the conventional type of aircraft used during the last war and converting to jet-propelled types.

6. The Yugoslav Embassy in Washington usually receives its orders directly from Belgrade on whom to see the Russians. When Velebit was in Washington he received instructions from Belgrade to call at the Soviet Embassy and discuss Lend-Lease affairs. The discussions were held with Valentin A. Sorokin, Second Secretary. The Soviets always treated the Yugoslavs as equals and were very polite to them.

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